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U.S. EPA REGION 10
OFFICE OF REGIONAL COUNSEL

Direct Phone
503.219.8133

Direct Facsimile
[illegible]

E-Mail
hutch@robertskaplan.com

September 24, 2010

VIA EMAIL AND 1ST CLASS MAIL
Ms. Lori Houck Cora
Assistant Regional Counsel
U.S. Environmental Protection Agency
Region 10, ORC-158
1200 Sixth Avenue
Seattle, WA 98101

Re: Portland Harbor Superfund Site; Linnton Plywood Association
FRE 408 Confidential Settlement Communication

Dear Lori:

In your email of August 31, 2010, you requested an updated status report regarding Linnton Plywood Association's (the "Association") obligations to make certain payments from any proceeds received on the sale of its property. In particular you wanted to confirm the changes, if any, to the financial information we provided to you on October 30, 2009, and March 24, 2010. In brief summary, suffice it to say that the obligations, outlined below, have increased while the prospects for sale proceeds have decreased.

1. Costs of Sale: The costs of sale, which include real estate commissions, title insurance premiums and escrow fees are estimated to be $300,000 to $325,000. The exact amount cannot be determined at this time because of the contingencies in the sale agreement. The sale agreement (expected to result from the present letter of intent with a prospective purchaser) should call for a purchase price at closing of $4 Million ($2.5 Million less than the previous sale, which was the basis of EPA's $1.5 Million offer of settlement, all of which was to be paid from insurance proceeds), $1 Million deferred for two to four years and the possibility, subject to various contingencies, of up to an additional $1 Million after the end of a four year post-closing period.

2. Ad Valorem Real Property Tax Liens: There are property tax liens currently payable in the amount of $330,127.24. One year from now when the proposed transaction is expected to close, an additional $94,812.85 is expected to be due, for a total of approximately $425,000.

3. Accounts Payable: The accumulated accounts payable, exclusive of property taxes, are approximately $400,000. The monthly operating deficit, exclusive of property taxes and net of rental income, is approximately $10,000 per month ($31,000 in expenses and

601 SW Second Avenue, Suite 1800 Portland, Oregon 97204 | PHONE: 503.221.0607 | FAX: 503.221.1510 | WEB: robertskaplan.com

$21,000 in rental income). Assuming 12 months to close the anticipated sale, the accounts payable are expected to increase probably from the current $350,000 level to a total of approximately $450,000.

4. Payments due per Court Order at Settlement: As we previously noted, in 2008 some former members of the Association filed a lawsuit seeking in part to require the Association to refund member Retains and certain distributions, including the payment to all members of the amount paid by each member to own one share of stock (a necessary element of being a member in the Association). The litigation was ultimately settled and approved by order of the court. These payments are as follows:

    a. Retains: The character of these previously taxed member earnings was described in our October 30, 2009, letter to you.[1] These retains pertain to member earnings going back to 1984. The total ordered to be refunded to members is $2.6 million.

    b. Common Stock: Though members in most cases paid more for their required one share of membership stock, the Association is required to refund the $5,000 par value to the remaining 126 shareholders/members for a total of $630,000.

    c. Attorney Fees: The order specifies reimbursement of $25,000 of plaintiffs' attorney fees.

As it stands, at the time of closing there will not be sufficient proceeds to pay all of the costs of sale, liens, accounts payables, retains and court ordered distributions. Even if and after

[1] Patronage. A cooperative normally does not issue dividends to its members or shareholders. In the case of a cooperative, the issuance of stock is usually not a viable alternative to raise capital because there are only so many patronage opportunities, or in LPA's case, only so many jobs available in its mill. Stock ownership was merely one of the criteria to be a member and to be able to work, not an investment. Workers were paid an hourly wage (an advance) which fluctuated with the market place but for the most part was lower than what a worker would earn at a more traditional mill. These wages were effectively advances of a member's share of any profits but subject to adjustment for losses from mill operations for each fiscal year. Each member's allocation of profit and losses was based upon their "patronage" (number of hours worked) in the Association's business. Patronage was determined by taking the hours worked by a member compared to the total hours worked by all members. In good years a member might make more than his peer at a standard mill operation but in bad years he might not make as much after incurring responsibility for a share of the losses.

Retains. The Association capitalized its operations by allocating but not distributing all of its profits to members. So, when the Association "retained" some of these membership profits, the Association recorded in its books and records the profit earned, but not distributed to each individual member. The members paid income tax on the Retains as if they had been received. This single tax treatment, i.e., only the members (not the Association) paid tax; this is one of the unique features of a cooperative. Today, LPA has Retains on its books which go as far back as 1984.

$1 Million of the deferred payment is received, there will be very little to return to the members pursuant to the court order. Whether or not an additional $1 Million is received is uncertain, contingent, and at least more substantially deferred. We hope the attached schedule will prove useful in your consideration of the Association's financial circumstances.

We look forward to hearing from you after your return.

Very truly yours,

William P. Hutchison

WPH/dod
Attachment
cc: Michael McNulty
Robert A. Taylor
Barry Stein
Kristine Koch
Paul B. George, Esq.